

THE COMMONWEALTH OF MASSACHUSETTS  
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION

**DEPARTMENT OF  
TELECOMMUNICATIONS & ENERGY**

ONE SOUTH STATION

**BOSTON, MA 02110**  
(617) 305-3500

**MITT ROMNEY**  
GOVERNOR

**KERRY HEALEY**  
LIEUTENANT GOVERNOR

**BETH LINDSTROM**  
DIRECTOR  
OFFICE OF CONSUMER AFFAIRS  
AND BUSINESS REGULATION

**PAUL G. AFONSO**  
CHAIRMAN

**JAMES CONNELLY, ESQ.**  
COMMISSIONER

**W. ROBERT KEATING**  
COMMISSIONER

**EUGENE J. SULLIVAN, JR.**  
COMMISSIONER

**DEIRDRE K. MANNING**  
COMMISSIONER

December 13, 2004

Robert J. Keegan, Esq.  
Keegan, Werlin & Pabian, LLP  
265 Franklin Street  
Boston, Massachusetts 02110-3113

RE: Investigation by the Department of Telecommunications and Energy on its own motion regarding Merger Savings Report filed by Commonwealth Electric Company, Cambridge Electric Light Company, and Boston Edison Company d/b/a NSTAR Electric, and NSTAR Gas Company, D.T.E. 04-2

Dear Mr. Keegan:

On December 5, 2003, Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company, and NSTAR Gas Company ("Companies") filed with the Department of Telecommunications and Energy ("Department") a Merger Savings Report ("Merger Savings Report") in compliance with the Department's directives in BECo/ComEnergy Acquisition, D.T.E. 99-19, at 86 (1999). In that Order, the Department directed the Companies to file a report of cost-savings measures taken and achieved during the Companies' four-year rate freeze. On March 18, 2003, the Companies issued a revised Merger Savings Report ("Revised Merger Savings Report") incorporating operating data for the year 2001 as well as data for 2002 and 2003. The Attorney General filed comments on February 11, 2004, which the Company opposed on March 3, 2004.

The Department has reviewed the Merger Savings Report, Revised Merger Savings Report, and the Companies' responses to information requests that were issued by the Department and Attorney General. The Department has also considered the comments of

Attorney General, who requested that the Department perform a full investigation into the Companies' savings calculations and claims of cost increases, including discovery, hearings, and briefing (id. at 3). When we issued our decision in D.T.E. 99-19, the Department intended that the Companies file the Savings Report for informational purposes only.<sup>1</sup> We decline to relitigate the issue of merger-related savings in D.T.E. 99-19, which has already been upheld by the Supreme Judicial Court in Attorney General v. Department of Telecommunications and Energy, 438 Mass. 256 (2002).

The Department finds that the Companies' Revised Merger Savings Report, which demonstrates savings through the end of 2002 of approximately \$314 million associated with the creation of NSTAR through the consolidation of BEC Energy System and Commonwealth Energy System in August of 1999, complies with the Department's directive in D.T.E. 99-19 to file a cost-savings report. Therefore, further action on the results of the Merger Savings Report and Revised Merger Savings Report is not necessary. In reaching this conclusion, the

---

<sup>1</sup> In D.T.E. 99-19, at 86, the Department required the Companies to file a one-time report of cost-savings measures taken and results achieved during the rate freeze to confirm the confidence in the forecast of savings and to document for future proceedings that merger-related cost-cutting measures were implemented during the rate freeze.

Department relies on the representations made by the Companies and provided in the Merger Savings Report and Revised Merger Savings Report as being true, complete, and factual statements.

Sincerely,

/s/

---

Paul G. Afonso, Chairman

/s/

---

James Connelly, Commissioner

/s/

---

W. Robert Keating, Commissioner

/s/

---

Eugene J. Sullivan, Jr., Commissioner

/s/

---

Deirdre K. Manning, Commissioner

cc: Alexander Cochis, Esq., Office of the Attorney General